98-84359-24

Biery, James S.

National finances

Washington

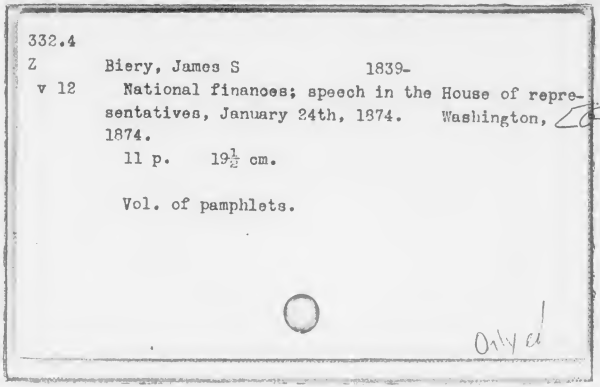
1874

98-84359-24
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



332.4
Z
v 12

Biery, James S 1839-
National finances; speech in the House of representatives, January 24th, 1874. Washington, [Gov't Printing Office] 1874.
11 p. 19½ cm.

Vol. of pamphlets.

Only ed

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3/4/98 INITIALS: F.C.

TRACKING # : 31912

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

P42
155

NATIONAL FINANCES.

SPEECH

OF

HON. JAMES S. BIERY,

OF PENNSYLVANIA,

IN

THE HOUSE OF REPRESENTATIVES.

JANUARY 24, 1874.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1874.

SPEECH

OF

HON. JAMES S. BIERY.

The House, as in Committee of the Whole for debate only having under consideration the national finances—

Mr. BIERY said:

Mr. SPEAKER, it is my desire to make some remarks upon the subject of the currency. It is true this House has listened to a very able speech to-day upon this question; yet as there are differences of opinion upon this subject, and as it is one of great breadth, there is no danger of exhausting it in one day.

I start out with this idea, that the volume of the circulating medium in use in the business of the country, as it now stands, is insufficient. In other words, that part of the currency which actually circulates must be increased in order to give prosperity to the industries of the country. By reference to the official figures, as set forth on page 11 of the Report of the Secretary of the Treasury, I find that the amount of United States currency is $388,424,649.23. Add to this the maximum national-bank circulation, $350,000,000, and we have the sum of $738,424,649.23 as the actual amount of our circulating medium.

If the whole volume of this currency were in circulation there might not be so much reason for complaint as to its volume. But from this circulation we must deduct the reserves held by the banks. The reserves held in redemption cities is $112,152,056. The reserves held in States and Territories amounts to $97,765,876. Thus we have a deduction of $209,917,932, leaving only an actual circulation of $528,506,717.23. Taking a population of forty millions, the gross amount would average only $18.25 per head, while the actual amount of available currency is only $13.20 per head.

By referring to the official figures, it will be found that in the year 1868 the average circulation in England, Ireland, and Scotland was $19.48 per head; in France, $25.05 per head. It is to be remembered that both England and France have a very dense population, and their business can be transacted very largely by business paper, and on the evening of the business day there is only an adjustment of balances. But in America we have a vast area of country and a great agricultural population, living far from banks and places where deposits can be kept, so that frequently men must keep hundreds of dollars in their pockets or in their houses. Taking these facts into consideration, in connection with our limited amount of circulation, it must be obvious to any man who has any knowledge of common arithmetic that our circulating medium is too small.

I beg to refer in this connection to another fact which increases the stringency of the financial difficulty under which the country is now laboring. I refer to the unequal distribution of the circulating

medium. I hold in my hand a circular, by a gentleman from the South, the figures of which I believe are in the main correct. According to its calculations New England has of the national-banking currency $31.15 per head; the Middle States only $12.89; the Southern and Southwestern States only $2.98; the Western States, excluding California and the gold-paying States generally, only $7.11. This unequal distribution of the circulating medium, if these calculations be correct, adds, I say, to the difficulty of the present financial panic.

The aggregate amount of currency being about double that of the national-bank issue, the gross currency per head is about as follows: New England, $62.30; Middle States, $25.60; South and Southwest, $5.96; Western States, $14.22.

But proceeding on the basis ascertained from the official figures, giving only $13.20 to each person throughout the whole country, we may arrive at a conclusion as to the sufficiency of the present volume of currency sufficiently accurate for all practical purposes.

See how this must operate upon the great manufacturing interests of the Middle States. Take for instance Pennsylvania with her vast capital invested in iron-furnaces. Going along her rivers and streams in the eastern and southwestern parts, you scarcely ever get out of sight of smoke-stacks, where rolling-mill after rolling-mill is seen upon our lines of railway, where car-shops and machine-shops dot every valley, where every species of iron manufacture and other industrial pursuit is found. Tell me whether a circulating medium of $13.20 per head is sufficient to do the business of that State, where the investments of capital in manufacturing establishments must be so great?

Go from the eastern part of my State into my native county, where oil by millions of gallons is pumped out of the earth and sent to market, until this vast production has become one of the greatest commodities of national export. Consider the vast amount of money that must be required to carry on that business, and then say whether $13.20 per head is enough to do it.

Go to the inexhaustible coal-fields of the eastern, central, and western parts of the State, requiring many millions of dollars to operate them, and tell me whether $13.20 per head is enough to operate them.

Men tell us the currency is sufficient in volume. Let us see. Let us come back to a time when we had settled down to a safe peace footing—in 1868.

Mr. KELLEY. I ask that the House be brought to order; I wish to hear what my colleague is saying.

Mr. BIERY. I was about stating that coming back to July, 1868, at a time when we had come down to a peace footing—at that time, when we had come down from a state of great inflation, as it is called, which existed at the close of the war in 1865, I find these figures, which are taken from official sources: We had at that time of Treasury currency, according to the report of the Treasurer, $444,196,262; of seven-thirties, which were convertible (and I will make the same remarks as to the balance of the table from which I am reading—and serving really as so much currency)—January 1, 1868, $240,291,300; in 3 per cent. certificates, June 30, 1868, $50,000,000; of national-bank notes, July 1, 1868, $294,208,264, of State-bank notes—for many State banks had not yet gone into the national-banking system—July 6, 1868, about $4,000,000; giving this country at that date a circulation of $1,033,395,826, averaging, on a population of 38,000,000, $27.18 per head.

At that time every species of business in this country was prosperous. Panics were not known at that time. It is true prices were a little

higher, but they were coming down gradually. They had risen as a matter of necessity during the war, but they were lowering. It was finally conceived that this circulation was too high, and we must come down to specie payments. From one end of the country to the other certain men boomed up and commenced to cry specie payments; that the country was going to ruin unless it would come to a permanent specie basis of values; that these fictitious prices of real estate and every other commodity possible in the market could not be allowed in a country like this.

One of the best arguments, although of course it seemed foolish to everybody when it was made, in reference to specie payments, at the time when we had only about $140,000,000 of coin—gold I mean—in this country, with a currency of at least $700,000,000—the best argument, I say, I ever heard advanced, under the circumstances, about coming to specie payments, was advanced by the late editor of the New York Tribune, Horace Greeley, when he said that "the only way to resumption was to resume." These men kept on in their clamor in reference to the resumption of specie, and what was the course adopted? The course which the authorities finally adopted was the redemption of its convertible securities, which at the time served not only as a circulating medium, but as an instrument of flexibility, as my friend from Philadelphia [Mr. KELLEY] very cheerfully acknowledges.

At the time they adopted the course of redeeming these convertible securities they contracted the currency still more by throwing back into the vaults of the Treasury "greenbacks" at the rate of $4,000,000 per month, until $44,000,000 were thus retired. Contraction was the plan adopted in order to resume specie payment, and they pursued that course until last September, when they were overtaken by a storm. When these men were overtaken by the panic, which was brought about by their ruinous plan, they began to point their fingers at each other and said, "You did it; you did it." They began to seek as to what was the cause of the panic, the ruin of which, to the business interests of the country, has already resulted in enough to pay one-quarter of the bonded debt of the United States.

Go to my district, if you please, and mark there the furnaces which last spring and last summer and all along until September blazed forth their bright lights at night as so many beacon-lights on the way of prosperity. Look there at those stacks to-day—black, almost every fire extinguished. The rattle of the rolls in the rolling-mills is no longer heard; the trip-hammer is no longer heard beating the iron; and men with strong arms and willing hearts, who earn by the sweat of their brow the bread which feeds their wives and children, ready to work to-day, who cannot get employment, because the men who have their capital invested say they cannot get currency to pay their hands.

Now, Mr. Speaker, I beg to refer to a little incident here which will serve as an illustration of what this plan of contraction does in reference to our manufacturing districts. It is this:

One of our largest manufacturing companies had to resort to a certain species of order, or due-bill, for the payment of their hands, simply because they could not get the currency. They issued those orders in large quantities. When I was at home during the holidays one of their hands, a client of mine, came to me and said, "Can you take that order for a fee I owe you?" I said I would, and I took it for the fee in place of thirty dollars in money. Yet to-day not only men from the East, where they have, as I have shown, a largely preponderating amount of capital per head, but men on this floor from my

own State, I am sorry to say it, advocate still farther contraction in the currency, and make the coming down to specie payments the great cry. I tell you, sir, that if you come down to specie payments by that road you will bring the United States into the meshes of bankruptcy.

While this contraction was going on all the industrial interests of the United States increased a little over 45 per cent.; and in addition to that, the territory over which the circulating medium is spread has been almost doubled. Instead, then, of contracting the currency, if any change at all had been made it ought to have been increased in order to keep up with the advancement of the requirements of the nation.

It is argued by the contractionists that the late panic was brought about by speculation and overtrading. Now let us see who these speculators were. In the first place, we have large amounts of capital employed in the different manufacturing interests all over this land. As a general thing, those men must have every dollar that belongs to them, either as companies or corporations, for the legitimate uses of their business. They cannot afford to buy farms with their money and cut them up into lots and speculate in that way. They cannot afford to go to the stock-board and speculate with their capital there. Their capital is all employed by the legitimate wants of their business. That is one kind of speculation. In the next place we have thousands of men all over the large prairies of the West, whose business it is to plow the ground, put in the seed, to reap the harvest, and bring their wheat to market. That is another class of men who are engaged in this speculation. Then at the mills and the furnaces, to which I have referred, and in the manufacturing interests generally, there is a large class of people who labor from day to day, and from their daily toil and earnings they lay up a little, which they pay, at the beginning of every month, into a building association, which holds a mortgage on the little house in which they live, and which in a few years they will be able to pay for in that way. That is another kind of speculators that were engaged in these vast speculations bringing about the recent panic. Sir, these speculators of whom there has been so much said are a myth.

I propose, Mr. Speaker, a plan in order to increase the circulating medium, which would to a great extent give relief and do it speedily. The United States issues only 90 per cent. of circulating notes to the national banks; that is, for the amount of bonds which these banks respectively have deposited in the Treasury of the United States. I propose that the Government shall issue to these banks an amount of circulating notes equal to the amount of their bonds which they have on deposit. I am aware that I find certain gentlemen objecting to that plan. They will say it is not safe for the Government to issue circulating notes equal in amount to the bonds; because those bonds might depreciate and then the note-holder would not be paid in full for the amount of his note; also, that if national banks should go into liquidation, the attendant expenses would cause a depreciation of the notes unless protected by a reserve. The latter of these objections is readily answered by stating that the national banking law of 3d June, 1864, section 26, suspends the payment of interest to every bank, on its bonds, from the day it fails to redeem its circulating notes. The accruing interest then would be ample guarantee for all the expenses incurred by liquidation.

As to the other objection, let me say that those bonds have not sold under par for a number of years. They are quoted above par and

considerably above par on the stock-boards every day, and those bonds will not go below par until the men who cry contraction shall have succeeded in crying down the solemn obligations of the Government of the United States as "a vicious currency," "an inflated currency," "a pledge which the Government never intends to redeem," "a fraud upon its face;" not until they have done that, and until they have added to that the prostration of all the material interests of this country that will put it in such a condition as to be unable to pay the taxes already imposed and current expenses of the Government; when the Secretary of the Treasury of the United States shall call for sums of money to pay arrears of Government expenditures not only in amounts of $40,000,000, but when he shall call for hundreds of millions, and call in vain, then, sir, it will be that even the Secretary of the Treasury will find it very difficult to get the gold to pay the interest on the bonds that are held by foreign bondholders. When all that shall be brought about, then both greenbacks and bonds will be below par, and will sink in one boat to the bottom—when no one will have your bonds or your greenbacks.

Sir, every man who argues in favor of further contraction, every man who opens his mouth and says we must resume specie payments by the road of contraction, contributes so much to the ruin of the finances of this country. I can respect the men who opposed us during the war. I can respect gentlemen who have, on the other side of the House, all along told us the day would come when your national debt would be repudiated—I would respect them to-day for standing with the contractionists and so going down by that road, because they would be at least consistent. But for men who have been standing with the party now in power, for men who, I believe, are honest and who mean right, but who are wrong in their judgment, now to clasp hands across "the bloody chasm," to shake hands with those on the other side, to drive this nation into ruin, I cannot comprehend what they mean.

Mr. SPEER. Will my colleague allow me to ask him a question?

Mr. BIERY. I will.

Mr. SPEER. Does he say that those who differ with him upon this question are prompted by a desire to ruin this country? or is it not in their judgment rather the course best adapted for its interests?

Mr. BIERY. I do not say that the men who differ from me are prompted by a desire to ruin the country. I said this, that every man who speaks in the interest of the resumption of specie payments by the road of contraction will aid in the ruin of the country; that is, in my judgment they will aid in accomplishing that result, and I believe my judgment is right upon this point.

Mr. TOWNSEND. Allow me to ask a question?

Mr. BIERY. Certainly.

Mr. TOWNSEND. I want to know if the gentleman thinks that when the Government pays its debts in specie, as it has promised to do, that action will tend to the ruin of the country?

Mr. BIERY. If the Government were able to-day to pay its promises in gold, I would say that it would be a sad spectacle of a pretendedly honest Government not to do it. But my friend from Chester, [Mr. TOWNSEND,] and every other man who argues as he argues, might as well honestly confess that we have not gold enough to-day to pay our bonded debt or our greenbacks. You might as well come down to that at once, and say that we cannot do it. I think the pledge of the Government ought to be sufficient guarantee that every promise that has been issued by the Government will be performed in due time.

Sir, let us, if you please, go a little into the history of the greenback, and see what that much-abused "inflated currency" has accomplished, or rather has not accomplished. When the first issue of that kind of currency was put out your Treasury was empty. You had no money to pay your soldiers in the field. You had no money to buy equipments for your Army. You had no money to buy your horses for the service. You had no money to buy anything to further the successful prosecution of the war. But wise men took it into their heads to issue greenbacks; and what did they do?

Sir, you might have sent friend after friend down upon the bloody battle-fields, and each blue-coated boy there might have put his wife and children into that friend's care, and said to him, "When you go home, take care of them and see that they do not suffer." Yet there would have been a lingering doubt in the mind of that soldier that, because of other duties, those friends would not perform that mission. But when you sent the greenback to the soldier in the field, when you put into his hand that promise to pay, which is called by some a "fraud upon its face," and when he mailed it to his family, he was sure that that would take care of them while he was fighting the battles of his country. Sir, the greenback was one of the most potent weapons that the Union Army had during the long and bloody struggle through which this country passed. Ever since the issue of that luminous "fraud" it has been the only medium for the redemption of national-bank notes, for the discharge of your obligations to the Government; except national-bank notes, the only medium by which you have been enabled to keep out of the clutches of grasping creditors, inasmuch as the law recognized it as a legal tender. Sir, with these "frauds" you have paid and are now paying your honest debts.

Now men come here and join those who said at the time the greenback was issued that in a few years it would not be worth the paper on which it was printed. I recollect well when I saw the first greenback. It was on the Alleghany River, in the oil regions of Pennsylvania. I was standing by the side of one of my democratic friends, when a republican friend came up and showed us one of the new bills, a new sight to us—a one-dollar bill, I believe. We looked at it, and my democratic friend said, "In a few years that bill will not be worth the paper on which it is printed." I told him at the time he would see the day when he would be glad to exchange his farm for that kind of currency. That day has long since come.

Now, I hear men who stood with us in sentiment all during the late struggle, who have held and now hold the same sentiments upon other national affairs—I hear them proclaim in loud voices and eloquent terms that this greenback circulation is nothing but an inflated currency, and unless brought to a level with gold without delay, ultimate ruin will be the result.

I think there is no man here who has not a sincere desire to return to specie payments. The only thing we differ about is the road which we shall travel. If we travel by the road of contraction, I can see nothing but ruin ahead. But is that the only road? I maintain that before we can arrive at specie payments we must have a prosperous country; all the manufacturing, mining, agricultural, and commercial interests of the country must be in a flourishing condition. And as we produce only about $60,000,000 of gold per year, and as the interest on our bonded debt is in round numbers $100,000,000 annually, (of which by far the greater portion goes to foreign bondholders,) it will be seen very readily that so long as we depend upon our own gold we will not be able to resume specie payments

permanently, unless we can so adjust our financial affairs as to fund our debt at a lower rate of interest.

We must turn the balance of trade with other nations permanently in our favor, but before we can come to a condition of prosperity, such as will warrant that, we must start our mills and our manufactories; we must give the western man a fair chance to bring his produce to market cheap; we must have our mines reopened and in a producing condition; we must bring home out of foreign hands our bonded debt, and let our own people here hold it at a lower rate of interest, say 3.65 per cent., which they are very willing and very ready to do, if you only give them a chance. Then, sir, when we shall have accomplished that, we shall return to specie payments by a very easy process.

Mr. SPEER. As my colleague has said that it will be a very easy thing for the Government to negotiate a new loan at 3.65, I wish to ask him why the Government, in negotiating its last loan at 5 per cent., was obliged to put it in the hands of the syndicate and have it taken in Europe?

Mr. BIERY. I will answer the gentleman. Put into this new bond a clause providing that it shall be convertible into currency at the pleasure of the holder, and you will see how soon your people will take it; while if you issue a long loan, and put it upon the syndicates and everywhere else, nobody will touch it. Let this bond be made convertible into currency on demand, and our people will take it very quickly.

Mr. SPEER. Is it not the universal experience of nations that long loans are taken at lower rates than short ones?

Mr. BIERY. I must decline to be interrupted further.

The fact is acknowledged by the Secretary of the Treasury on the nineteenth page of his Report for 1873, that under the present circumstances we cannot resume specie payments. He says:

> It is not possible to resume and maintain specie payments with so large an amount of notes in circulation and so small an amount of gold in the country.

I take this to be conclusive on that point. Hence I say we must travel another road. The plan I propose would give us at once a loosening of the reserves of $18,310,661. This amount of money alone, thrown into circulation, will ameliorate very much the present condition of things. In addition to that, I would favor the plan advocated by my distinguished colleague from Philadelphia, [Mr. KELLEY,] of issuing three sixty-five convertible bonds. I may, perhaps, dissent from that portion of his plan relating to the volume. I might desire to limit the volume to a certain amount, say to the amount of the indebtedness of the United States for the time being. This would overcome one objection to his plan, which is, that by issuing an unlimited number of three sixty-five bonds the debt of the United States might be doubled, and in this manner the Government would make nothing by paying interest at the rate of 3.65 on double the present amount of its debt. Still, as my colleague has studied this subject more extensively than I have, and understands it better than I do, I will not undertake to dictate to him.

Mr. KELLEY. If my colleague will allow me, I will say that at the close of his remarks I propose to endeavor, in a friendly way, to remove the objection of the gentleman from Ohio [Mr. BUNDY] to the plan now under consideration, and I will answer my colleague's objection at the same time.

Mr. BIERY. I thank the gentleman for his proposition.

Mr. Speaker, it is very frequently urged that the national banks

should be prohibited from paying any interest or premium on deposits or current balances. Now, while that might prevent the flow of money to large money centers, such as Wall street and other places, I apprehend that it would operate injuriously to the banks themselves, and it would do it in this manner: the moment you restrict a national bank from paying interest on deposits or current balances, that moment you give every State savings-bank, every private banker, every broker-shop, an advantage over the national bank. You cannot reach these, except, perhaps, by a tax on their deposits; and so long as they are not prohibited by heavy taxation, they will pay interest on deposits and current balances. Hence, in the eyes of many people, they would be at a premium in comparison with the national banks. I would, say, give the national banks these three sixty-five convertible bonds, and let them hold them instead of their present greenback reserve, thereby loosening that part of the greenback circulation. I would issue these three sixty-five bonds in such number as to make them an instrument of flexibility; so that any one having a little money to deposit for a short time may buy them, and hold them until such time as he may need the money.

There is one provision, however, which I think ought to be made in reference to the national banking system. It is not unfrequently the case that there is intimately associated with a national bank a broker's shop, conducted either by individuals interested in the bank or perhaps by the directors, though I do not mean to make any such charge positively. By proper and potent penalties, I would prohibit any director or any one who can control the deposits of a national bank from engaging in a private broker's business in connection therewith; so that when men come to a bank, and ask for a loan, they shall not be put off with the statement "We have no money, but perhaps they have some over there."

By loosening the reserve and issuing the three sixty-five convertible bonds, I believe that in a very short time business would revive, and revive permanently.

One of my colleagues, in conversation with me the other day, remarked that the currency was redundant at the present time, as was shown by the fact that it is so very cheap in New York, Philadelphia, and elsewhere. Why is it that the currency seems redundant? For the redundancy is only apparent. The reason the currency seems redundant is because of the great amount of money that is not employed to-day, as it would be employed in our productive industries if they were in their normal condition of activity. Give a guarantee to the manufacturer, to the merchant, to the miner, and to those in other industrial pursuits, that you will not have another lock-up next fall; make such provision that when the produce of the West is to be moved the currency shall adjust itself to the demands of business, and you will see how long currency will be redundant in the city of New York or Philadelphia. The men engaged in business pursuits will take that currency and make it do its legitimate work in the productive industries of the country.

What use was there in having a panic about the 1st of last September? Who would have dreamed four weeks before, nay, two weeks before it occurred that there would be a panic in a few days, when every manufacturing interest of the country was at work, when every mine was being pushed to the extent of all the resources it had, when the whole country was in a condition of prosperity, greater perhaps than it had ever known before, when the West had crops, superior in amount to any it had raised for years, when there was plenty and

prosperity everywhere; what cause, would any reasonable man ask, was there for a panic? Yet, as with a thunder-clap, it came down upon the whole nation and prostrated the industries of the land.

Give us a currency which will adjust itself to the business interests of the country; that, when the people require it, they can get the money requisite to carry on their business—not in a one-handed way—not at the rate of 50 per cent. of its capacity. Give us a currency which will measure the value of the demand of the whole business interest of the country; and in twelve years hence we will have followed in the same track, in reference to which my friend from Ohio [Mr. BUNDY] spoke this morning. In the next twelve years we will see this country shall have done more than it did during all the previous years of its existence.

Sir, the vast mineral resources of Missouri, Indiana, Kentucky, Tennessee, Upper Alabama, and Georgia, all those vast mineral deposits, have not yet been touched. The iron mountains in Missouri have, to be sure, a few small stacks at their feet, but they are few in number to what they ought to be. There ought to be a city with a hundred smoke-stacks and furnaces smelting that iron ore. Lately they have discovered block-coal in Indiana, which is used in smelting iron ore, and they take it out in measurably large quantities, I believe. They ought to take it out in larger quantities. You ship thousands and thousands of tons of iron and copper ore from the mineral regions of Michigan. You ought to ship from 100 to 500 per cent. more than you do now. And when the vast prairies of the West begin to have furnaces blazing all along their streams, with locomotive works, car-shops, and boiler and machine shops, and every other description of manufactures, then western men will scold us eastern men no longer on account of cheap transit. Then the men of the West will begin to see the value of having furnaces and iron-works of every character, with thousands of laborers to consume their agricultural products at home. The land in the valley in which I now live not many years ago sold at thirty dollars an acre. Now go there and see the change. Land, not in the city, but out in the country, farming land, is held at from $150 to $500 an acre. And why? Because we have manufacturing establishments in great numbers. We used to sell the grain raised in our county, and send it away to market elsewhere. What do we do now? We not only consume all the grain we raise there, but we have to import grain from the West to feed the men who work in our factories and mines. That, sir, is the result which has been produced by manufacturing industries in my district, and they will produce the same results precisely elsewhere.

But, Mr. Speaker, in order to carry the men we must have more money. What we want, sir, is currency. Every day the leading business men in my district, who have thousands upon thousands of dollars invested in iron furnaces and other iron-works, write to me and ask: "What are the prospects for more money?" All I can say in reply is that there are so many different opinions here that it is hard to tell. What they want is, not only action in the right direction, but speedy action. Shall we have it? I hope the committees which have appropriate bills under consideration will hasten the day which will bring this House to a direct vote on that question by yeas and nays. Let us come to it and decide what we are going to do.

I heartily thank the House for the very kind attention with which they have listened to me.

31912

END OF
TITLE